

Sunset Public Hearing Questions for  
**Collateral Pool Board**  
Created by Section 9-4-506, *Tennessee Code Annotated*  
(Sunset termination June 2018)

- 1. Provide a brief introduction to the Collateral Pool Board, including information about its purpose, statutory duties, and administrative attachment.**

*The Collateral Pool Board ("Board") is administratively attached to the Department of Treasury. Pursuant to Tenn. Code Ann. §9-4-508, the purpose of the Board is to oversee the risk-sharing pool of collateral pledged by participating banking institutions in order to guarantee public deposits. In providing this oversight, the Board approves a public depository's entry into the collateral pool; discontinues a public depositories' participation in the collateral pool; restricts the total amount of public deposits held by a public depository; and establishes collateral-pledging levels.*

- 2. Provide a list of current members of the board and describe how membership complies with Section 9-4-506, Tennessee Code Annotated. Who appoints members? Are there any vacancies on the board? If so, what steps have been taken to fill the vacancies?**

*The current members of the Board:*

<i>David H. Lillard, Jr.</i>	<i>Tennessee State Treasurer</i>
<i>Greg Gonzales</i>	<i>Commissioner, Department of Financial Institutions</i>
<i>Dane Smith</i>	<i>Banks with assets over \$500 million</i>
<i>Tyler Clinch</i>	<i>Banks with assets under \$500 million</i>
<i>Jason Holliman</i>	<i>Banking at large</i>
<i>David Neely</i>	<i>Banking at large</i>
<i>Robert Rial</i>	<i>Mayor, Dickson County, Local Government Representative</i>

*The membership of the Board complies with Tenn. Code Ann. §9-4-506 which provides that the Board shall be composed of seven (7) members as follows: the Commissioner of Financial Institutions; the State Treasurer; one (1) representative of banks and savings institutions with assets of five hundred million dollars (\$500,000,000) or more appointed by the State Treasurer who may be selected from a list of qualified persons submitted by interested banking groups, including but not limited to, the Tennessee Bankers Association board of directors; one (1) representative of banks and savings institutions with assets of less than five hundred million dollars (\$500,000,000) appointed by the State Treasurer who may be selected from a list of qualified persons submitted by interested banking groups, including but not limited to, the Tennessee Bankers Association board of directors; two (2) representatives of banks and savings institutions at-large appointed by the State Treasurer who may be selected from a list of qualified persons submitted by interested banking groups, including but not limited to, the Tennessee Bankers Association board of directors; and one (1) representative of local governments who shall have at least two (2) years of experience in the field of finance. The local*

*government representative shall be appointed by the State Treasurer for a two (2)-year term from lists of nominees submitted by interested county and municipal organizations including, but not limited to, the Tennessee County Services Association, the Tennessee Municipal League, or the Tennessee County Officials Association. The State Treasurer shall consult with interested groups including, but not limited to, the organizations listed to determine qualified persons to fill positions on the board. There are no vacancies.*

- 3. How many times did the board meet in the last two years? How many members were present at each meeting?**

*05/08/15                7 members*

*01/28/16                6 members*

- 4. What were the board's revenues and expenditures for the last two fiscal years? Does the board carry a fund balance and, if so, what is the total of that fund balance? If expenditures exceeded revenues, and the board does not carry a fund balance, what was the source of the revenue for the excess expenditures?**

*The Board does not generate revenue and the expenses have been incidental and able to be absorbed by the Department. The Board does not carry a fund balance.*

- 5. What per diem or travel reimbursements do members receive? How much was paid in the last two fiscal years?**

*Board members are eligible to receive travel reimbursement in accordance with the State Travel Regulations. During the last two fiscal years, there were no reimbursements requested.*

- 6. Is the board subject to Sunshine law requirements (Section 8-44-101, Tennessee Code Annotated) for public notice of meetings, prompt and full recording of minutes, and public access to minutes? If so, what procedures does the council have for informing the public of meetings and making minutes available to the public?**

*The Board is subject to Sunshine Law requirements. Pursuant to a Department policy, public meeting notices are published electronically on the State's TN.gov Public Participation Calendar, the Department's website and the program area's website. Public Meeting Notices are also physically posted at Legislative Plaza. Currently, Board meeting minutes are approved by the Board at the next available Board meeting and, once approved, are available for public inspection. The Department is in the process of ensuring that the Board minutes will be posted on the Department's website immediately after approval by the Board*

- 7. Does the board have policies in place to address potential conflicts of interest by board members, board employees, or other state employees who work with the board in any capacity? If yes, please describe.**

*A draft conflict of interest policy will be considered for approval at the Board's next meeting.*

- 8. Has the board promulgated rules as authorized at Section 9-4-508(7), Tennessee Code Annotated? If so, please cite the reference.**

*Yes, the Board has promulgated rules that may be found at Tenn. Comp. R. & Regs. Chapter 1700-4-1 [BANK COLLATERAL POOL].*

- 9. What were the major accomplishments of the board in the last two fiscal years?**

*In the past two (2) years, the Board's significant accomplishments are as follows: monitoring the soundness of the current participants; promulgating a rule change that increased the minimum collateral pledge level to ensure the protection of the financial institution's deposits and offering greater protections for depositors as well as participating financial institutions.*

- 10. What reports does the board prepare on its operations, activities, and accomplishments, and who receives these reports?**

*Reporting is performed by staff for the use of the Board in managing the activities and safety of the participating financial institutions. The reports present the amounts of public deposits, the market value of the collateral pledged, and the performance statistics of the participants.*

- 11. How many banks, savings institutions, or other entities have deposited collateral in the collateral pool?**

*As of June 30, 2017, there were 103 financial institutions participating in the collateral pool program with a total market value of \$11.9 billion of collateral pledged to protect public deposits.*

- 12. Has the board suspended or disqualified any bank, savings institution or other entity from participating in the collateral pool? If so, for what reasons? Have any decisions been contested?**

*No participant has ever been suspended or disqualified by the Board.*

- 13. Describe any items related to the board that require legislative attention and your proposed legislative changes.**

*Currently, there are no items related to the Board or the activity of the Collateral Pool that require legislative attention.*

- 14. Should the board be continued? To what extent and in what ways would the absence of the board affect the public health, safety, or welfare of Tennessee citizens?**

*Yes, the Board should be continued. Because of interstate branch banking laws, Treasury staff is not able to accurately measure the amount of in-state public deposits actually held by Tennessee banks. Using conservative estimates, the Collateral Pool program protects at least 90% of all public deposits within Tennessee. In the event of a bank failure, deposits covered by the Collateral Pool program are collateralized and any under collateralized amount is guaranteed by member financial institutions in the pool. Therefore, the State would have no assumed risk in the event of a banking failure by a participating financial institution. Because the Board assumes the responsibility for oversight of this program, the risk to the State could increase if the program ceases to exist. The program also creates efficiencies for public depositors that choose to utilize deposit services of a Collateral Pool bank as the public depositor is not responsible for monitoring the market value of collateral and making decisions regarding the acceptability of collateral that might be pledged, yet their deposits are fully protected from loss.*

**15. Please provide a list of current board staff.**

*Administrative staff for the Board is comprised of two (2) Department of Treasury employees, Tim McClure, Assistant CIO / Director of Cash Management and Roger Henry, Assistant Cash Manager. The Board is also supported in Treasury by members of the Treasury Legal, Compliance, and Audit staff.*

**16. Please provide a list of all board contracts, detailing each contractor, the services provided, and the amount of the contract.**

*Veribanc – This Company provides reports based upon bank call report data. The Board uses this information to monitor the performance of each participating financial institution. Veribanc obtains the data from the FDIC as it is submitted each quarter. They sort the data by state, and then provide the data for all banks operating in Tennessee in a graphical format that is used by the Board. Several years ago, this information was compiled by Treasury staff. The manual process took sixty man hours each quarter to generate the needed reports. Veribanc provides the service for less than \$5,000 per year.*

*This is the only contractor used by the Collateral Pool Board.*